

Message Text

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ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 EB-07 COME-00 TRSE-00 AID-05

CIAE-00 FRB-01 INR-07 NSAE-00 USIA-15 OPIC-06 SP-02

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R 011500Z SEP 76

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 2983

UNCLAS GUATEMALA 6157

FOR EXIMBANK

E.O. 11652 NA

TAGS: EFIN GT

SUBJ: INQUIRY SALE OF BUSES

REF: STATE 210680

1. EMBASSY HAS BEEN IN TOUCH WITH LOCAL PROMOTERS OF THIS PROJECT AND MOST RECENTLY WITH JULIO SEGURA, DIRECTOR OF PUBLIC SERVICES OF MUNICIPALITY OF GUATEMALA CITY. SEGURA IS KEY GOVERNMENT OFFICIAL CONCERNED WITH CITY BUSES AND VERY DESIROUS OF HAVING NEW BUSES PURCHASED.

2. SEGURA REPEATED WHAT WE HAVE ALREADY HEARD, THAT CENTRAL GOVERNMENT OF GUATEMALA WILL NOT OFFER GUARANTEE FOR THIS OR ANY OTHER PURCHASE BY PRIVATE FIRM. NOR IS CITY TRANSPORTATION SITUATION SO CRITICAL THAT MUNICIPAL OR CENTRAL GOVERNMENT WOULD BE WILLING TO BUY OR OPERATE BUSES.

3. OTHER LOCAL BANKS WE HAVE SPOKEN TO (OLIVA OUT OF TWON THIS WEEK, BUT WE WERE TOLD FNCB HERE NOT WILLING TO CONSIDER DEAL WITHOUT GOVERNMENT GUARANTEES) EXPRESS LITTLE IF ANY INTEREST IN FINANCING PURCHASE OF LARGE NUMBERS OF BUSES WITHOUT GUARANTEES. FINANCIERA GUATEMALTECA, FIGSA, REPORTEDLY WAS INTERESTED IN ACTING AS

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COLLECTION AGENT, NOT AS LENDER. THIS NEGATIVE ATTITUDE, WE

BELIEVE, IS AT LEAST IN PART A REFLECTION OF LOCAL BANKS VERY CONSERVATIVE LENDING PRACTICES. IN ADDITION, MOST LOCAL BANKS LACK CAPITAL FOR SUCH A LARGE TRANSACTION.

4. CREDIT-WORTHINESS OF INDIVIDUAL MEMBERS OF THE MUNICIPAL BUSS ASSOCIATION OR THE ASSOCIATION ITSELF IS THE PRIMARY PROBLEM. THE NEED FOR NEW EQUIPMENT EXISTS AND THE PRICE IS ATTRACTIVE, ALTHOUGH THE CURRENT RATE OF RETURN (GOVERNMENT-CONTROLS BUS FARES AT 5 CENTS PER TRIP) CONSTITUTES LIMITATION ON POTENTIAL INCOME. THE CREDIT-WORTHINESS OF SOME INDIVIDUAL COMPANIES MAY BE SUFFICIENT TO PERMIT A SALE, BUT PROBABLY NOT ON THE MAGNITUDE OR AT THE UNIT PRICE WHICH HAS BEEN DISCUSSED WITH THE ASSOCIATION.

5. THE EMBASSY REALIZES THAT THERE IS RISK IN SUCH A SALE; A PURCHASE PLAN BEING DEVELOPED BY LOCAL AGENT (WILLIAMSON) OF TRANSPORT ENGINEERING IS AN APPROACH TOWARDS RISK REDUCTION WITH REASONABLE EXPECTATION OF REPAYMENT. SOME OTHER PATTERN SUCH AS LEASING MAY PROVE USEFUL. WE BELIEVE THE MUNICIPALITY IS READY TO SUPPORT A TRANSACTION, FOR EXAMPLE, BY WITHHOLDING TICKETS IT ISSUES TO BUSLINES, WHICH THEY MUST HAVE TO OPERATE, IN EVENT A BUS LINE FAILS TO MEET A PAYMENT. IN ADDITION, SELLER OR LEASING CORPORATION COULD HOLD TITLES TO BUSES AND REQUIRE FULL INSURANCE UNTIL BUSES ARE PAID OFF.

6. SPANISH PEGASUS BUSES WERE SOLD ON USUAL INSTALLMENT PLAN WITH NO AGREEMENT BY THE MUNICIPALITY TO WITHHOLD TICKETS IN EVENT OF NON-PAYMENT.

7. IN OUR COMMERCIAL AND EXPORT PROMOTION INTERESTS, EMBASSY HOPES WAY CAN BE FOUND TO FINANCE OR SUPPORT EXPORT OF SOME IF NOT ALL OF SUPERIOR COACH BUSES EVEN THOUGH GUARANTEE OF GUATEMALAN GOVERNMENT APPEARS UNLIKELY.
ANDREWS

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